

Foreclosures In Our Communities

HUD Western Regional Housing Summit
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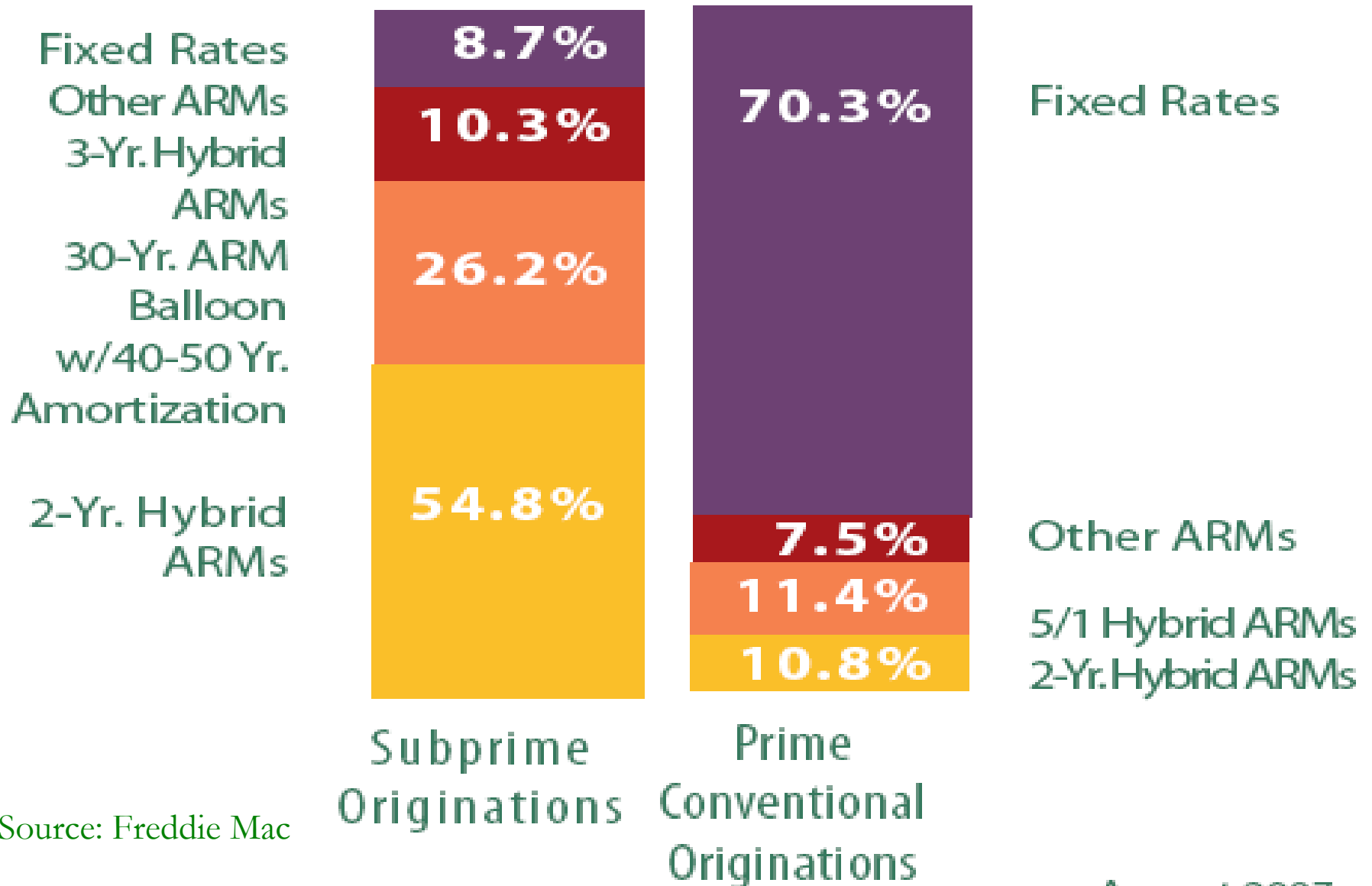
SOUTHERN CALIFORNIA
ASSOCIATION of GOVERNMENTS

SCAG Role

- Help Local Governments understand the causes, scope, and impact of foreclosure trends, especially for low-income families, the workforce and communities
- Assist local governments in organizing cross-community coalitions and public-private partnerships to respond to the lending crisis
- Provide information and support to communities addressing their local housing needs

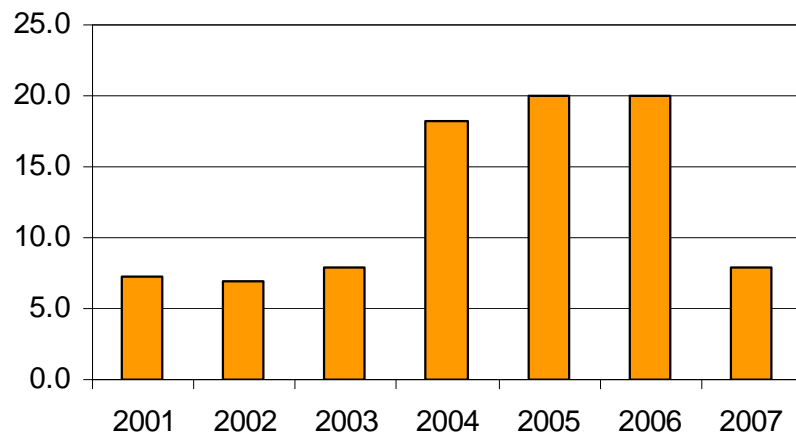
Subprime vs. Prime

Vast Differences in Mortgage Products and Risk Factors

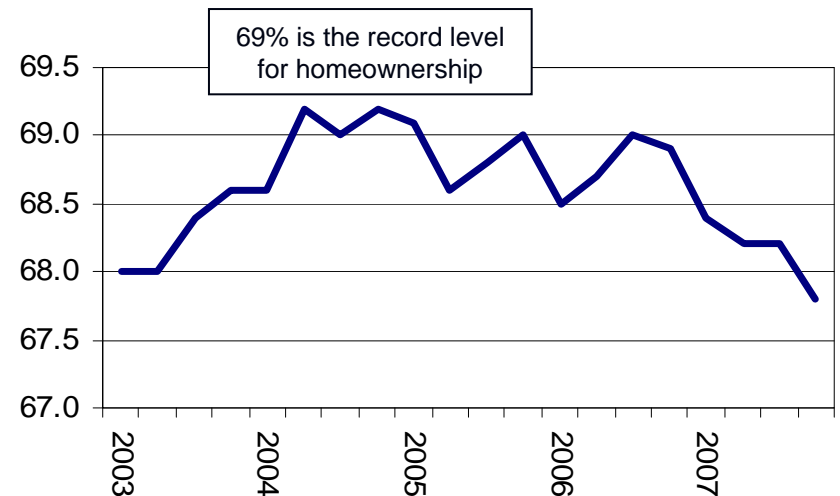


The Record Rise in U.S. Home Ownership in 2004 - 2006 is Related to Subprime Lending

Subprime Loans as % of All New Loans



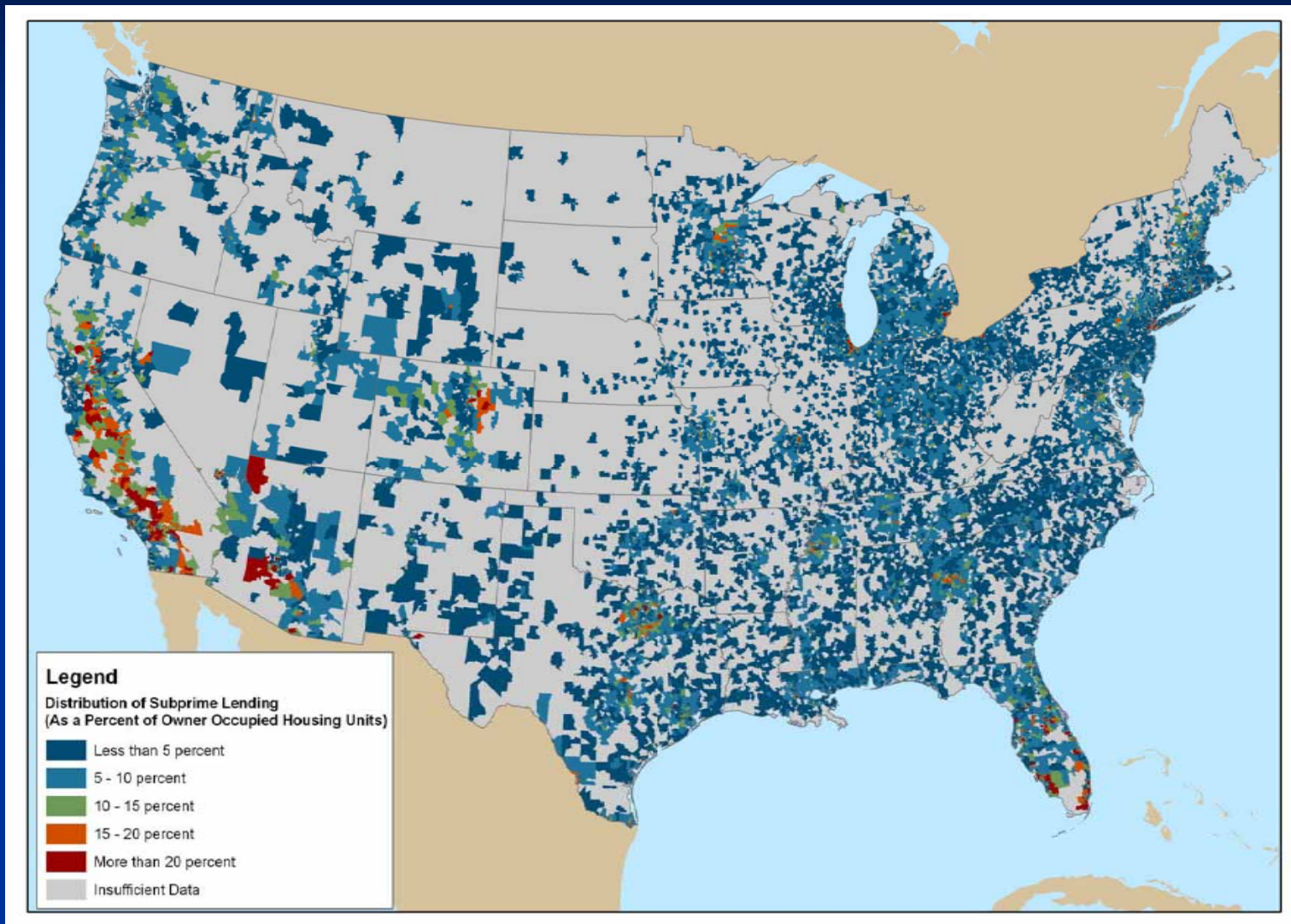
Home Ownership Rate



The Record Fall in U.S. Home Ownership starting in 2007 is Related to Subprime Lending

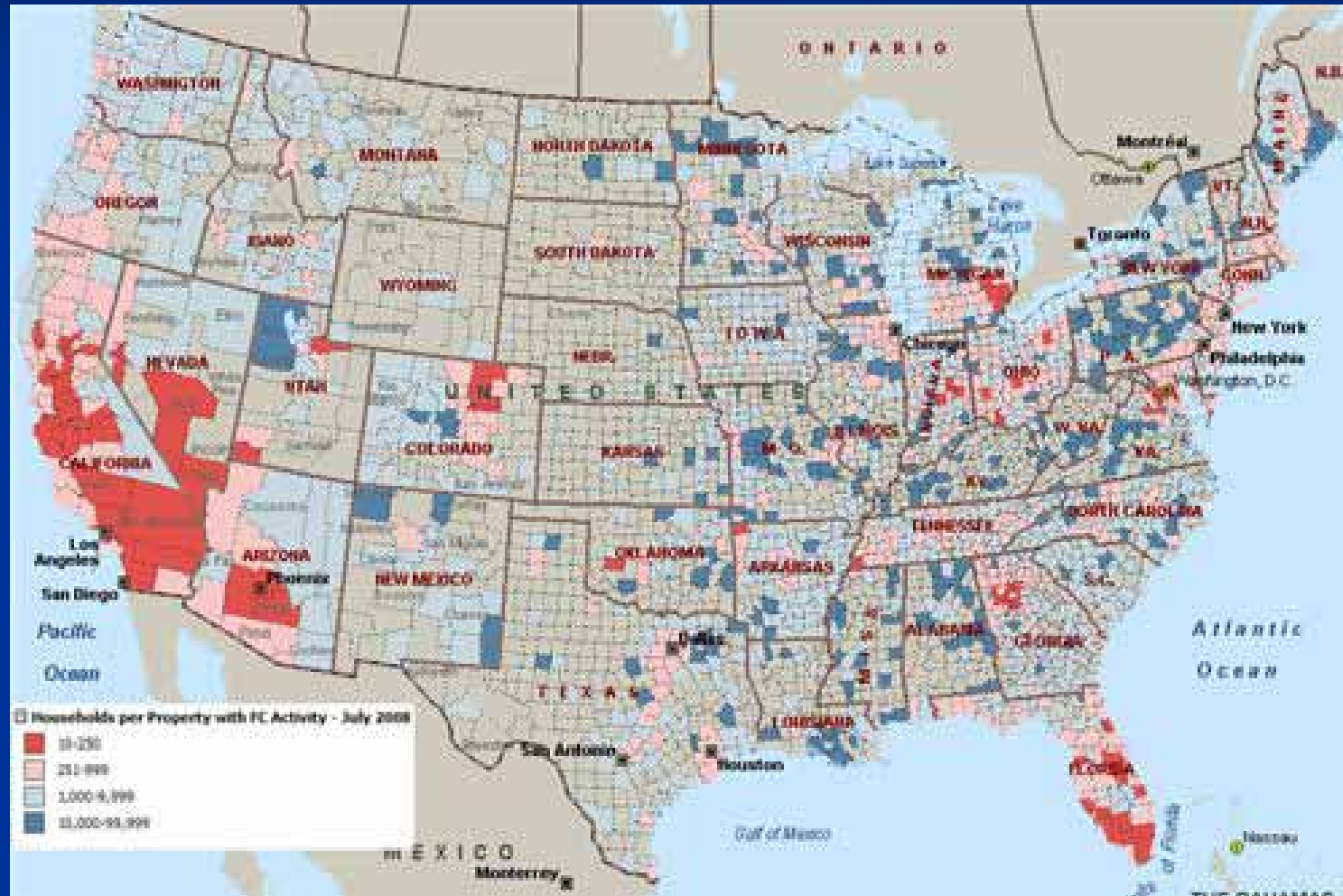
Source: Inside Mortgage Finance, Census Bureau.

Distribution of Subprime Lending



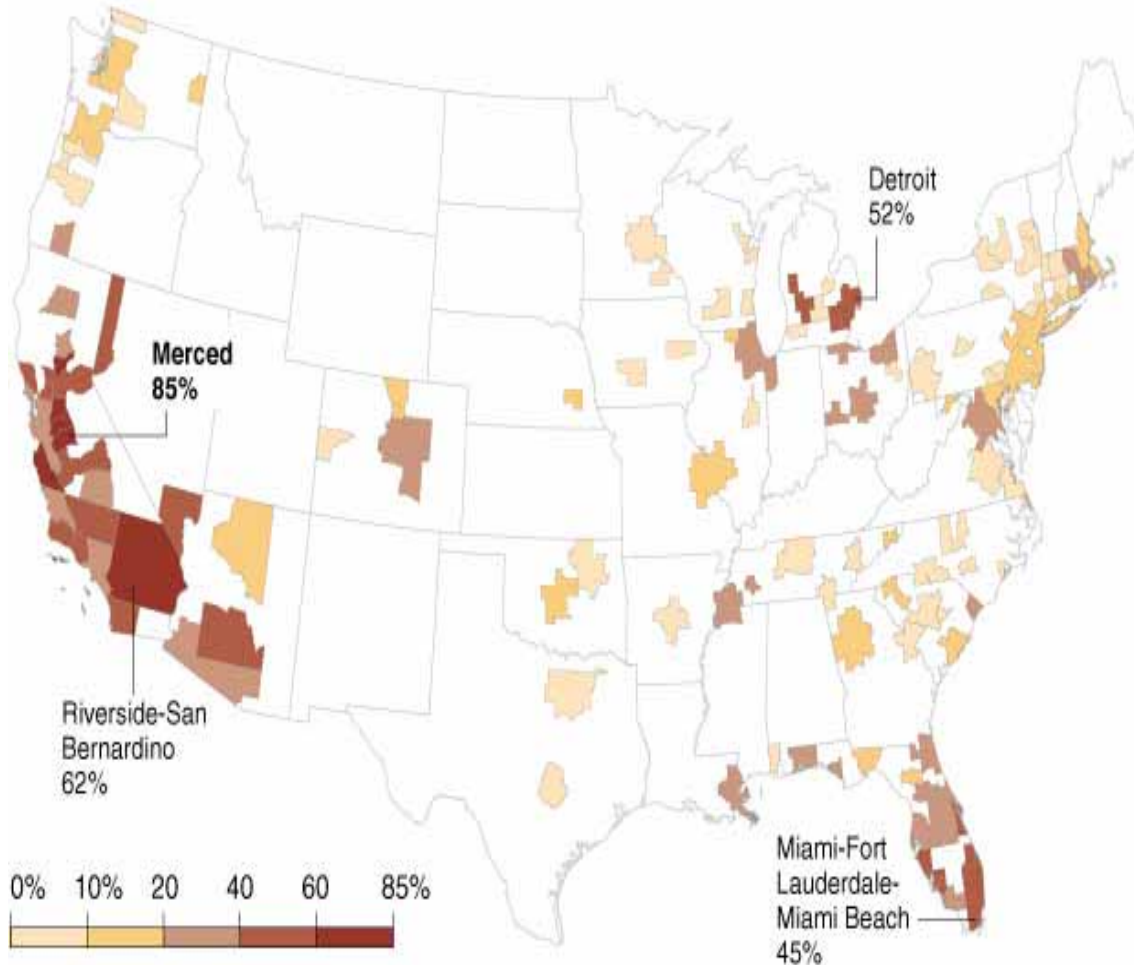
Lending Source: Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

Foreclosures are Concentrated in the Western Region of the U.S. and Florida



Source: RealtyTrac, July 2008

Worth Less Than You Paid for It



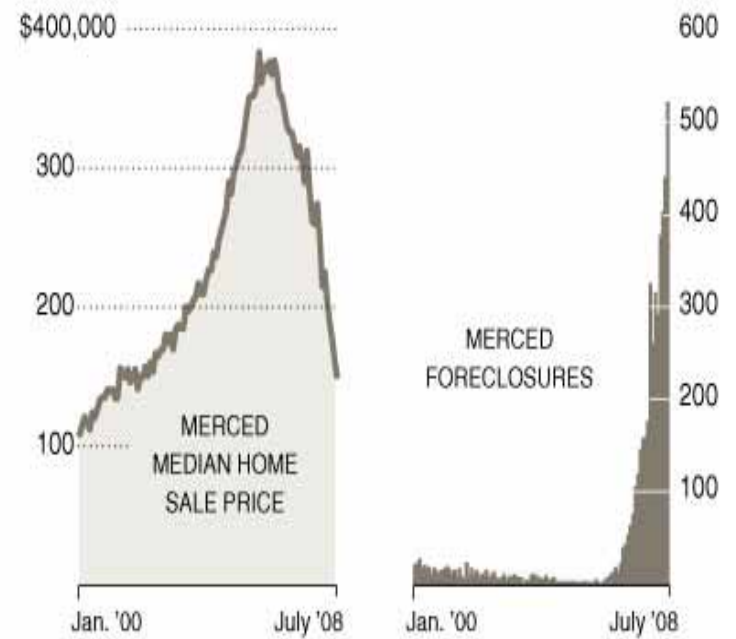
Homeowners with negative equity, April-June 2008

For houses bought in the past five years

Map includes a sampling of large metropolitan statistical areas

Worth Less Than You Paid for It

In California, big numbers of homeowners now find themselves with negative equity, including a huge 85 percent in the Merced metropolitan area. Merced's prices peaked in 2005 and fell swiftly, and foreclosures have soared.



Sources: Zillow; DataQuick Information Systems

HANNAH FAIRFIELD/THE NEW YORK TIMES



A Web Portal with Planning and Mapping Tools

LOTS is designed to support collaborative planning efforts by enabling elected officials, city planners, real estate developers, community organizers and others to do analysis at a parcel, neighborhood and regional level.

Click on the CALOTS link to see the newest version of this tool.

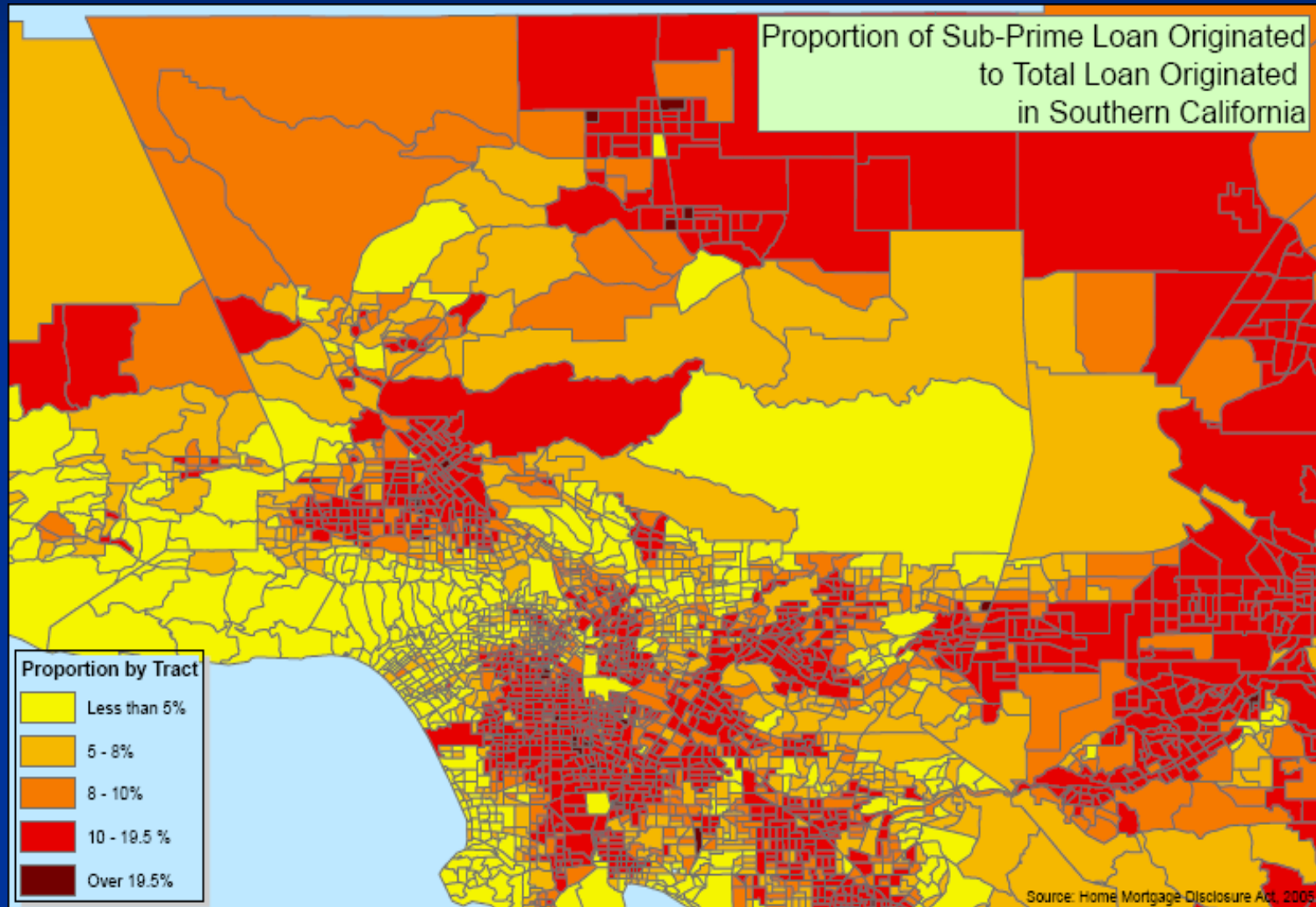
<http://lots.ucla.edu/Master.cfm>

Identifying Hot Spots

Goals of the CALOTS web mapping and analysis tool:

- Help local governments, lenders, and nonprofit organizations target borrower outreach and resources to the most affected areas
- Pin point where delinquencies and foreclosures are occurring
- Provide an early warning tool for neighborhoods most at-risk
- Focus outreach strategies and resources in hard hit neighborhoods with foreclosures
- Locate REO properties suitable for conversion into affordable housing and/or rental opportunities for low-and moderate income families

Hot Spots for Loans made by HUD Defined Subprime Lenders



Foreclosures in Southern California by County for July 2008

- Imperial Co. – 389 Units
- Los Angeles Co. – 12,833 Units
- Orange Co. – 4,275 Units
- Riverside Co. – 8,119 Units
- San Bernardino Co. – 7,036 Units
- Ventura Co. – 1,424 Units
- **SCAG Region – 34,398 Units, or about 1/8 of the National total**
- State – 71,296 Units, or about 1/4 of the National total

Source: RealtyTrac, SCAG

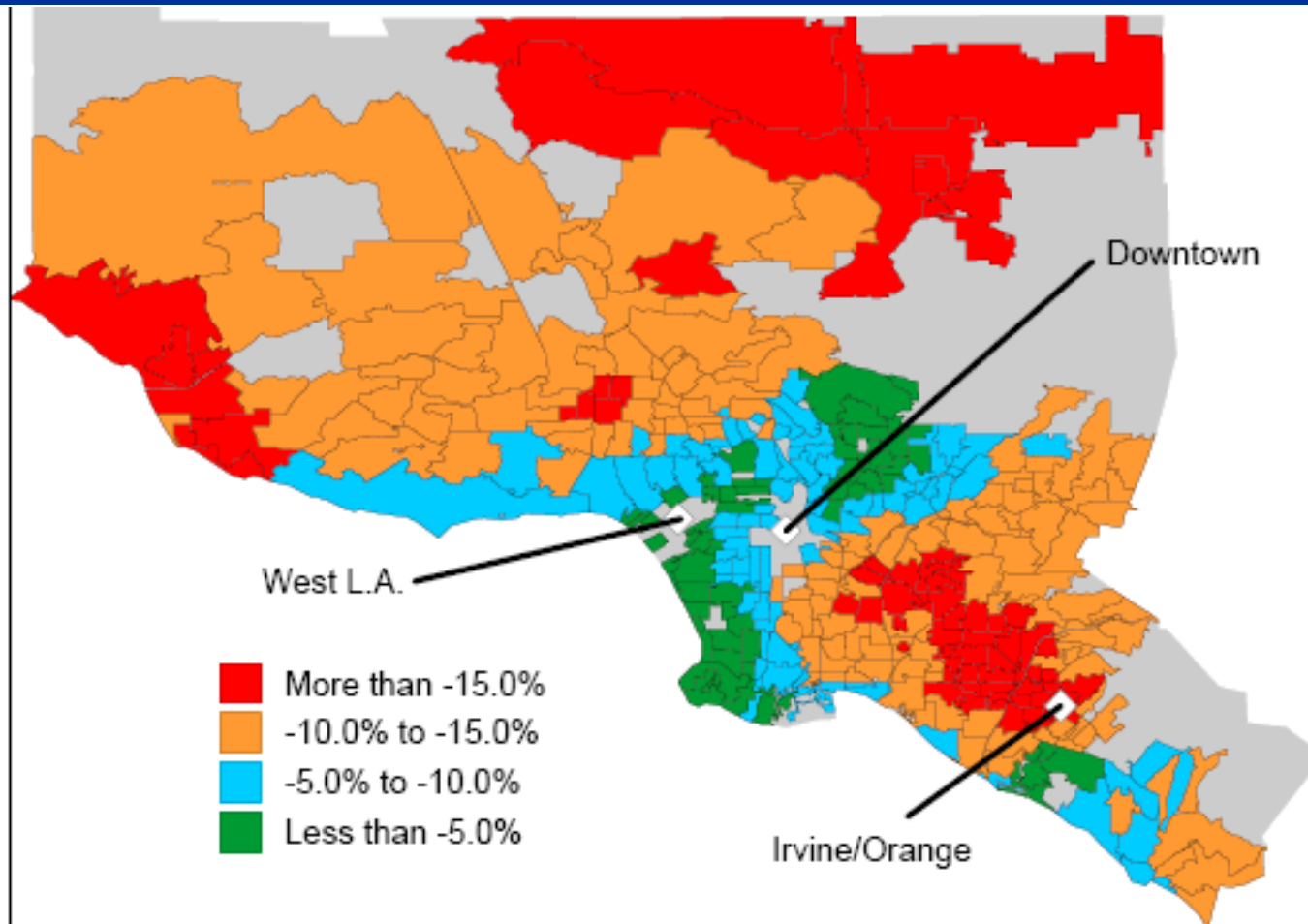
Falling Home Values and Loss of Equity are Fueling Distressed Sales and Foreclosures and Vice Versa

All homes	Jul-07	Jul-08	%Chng	Jul-07	Jul-08	%Chng
Los Angeles	6,809	6,592	-3%	\$547,000	\$400,000	-27%
Orange	2,391	2,799	17%	\$640,000	\$461,000	-28%
Riverside	2,769	4,116	49%	\$399,000	\$260,000	-35%
San Bernardino	2,008	2,521	26%	\$355,000	\$230,000	-35%
San Diego	3,106	3,431	11%	\$489,000	\$364,000	-26%
Ventura	784	870	11%	\$582,500	\$420,000	-28%
SoCal	17,867	20,329	14%	\$505,000	\$348,000	-31%

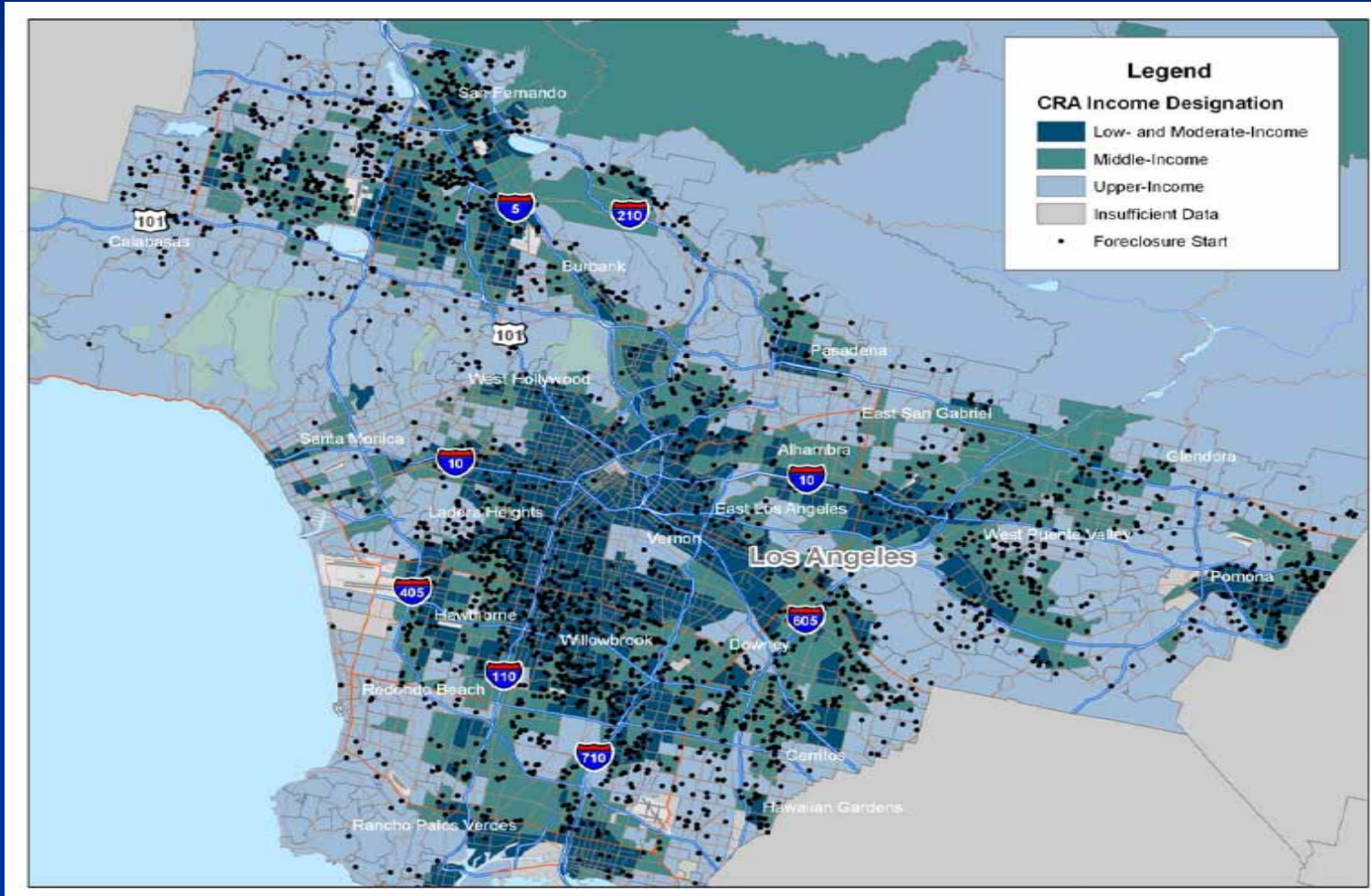
Source: DQNews.com

Location Influences the Rate of Home Price Decline

Since housing price peaked in 2005 and 2006, home prices have generally fallen more in towns and neighborhoods located farther away from urban centers, according to the S&P/Case-Shiller Housing Cost Index



Foreclosure Start in Low and Modest Income Neighborhoods

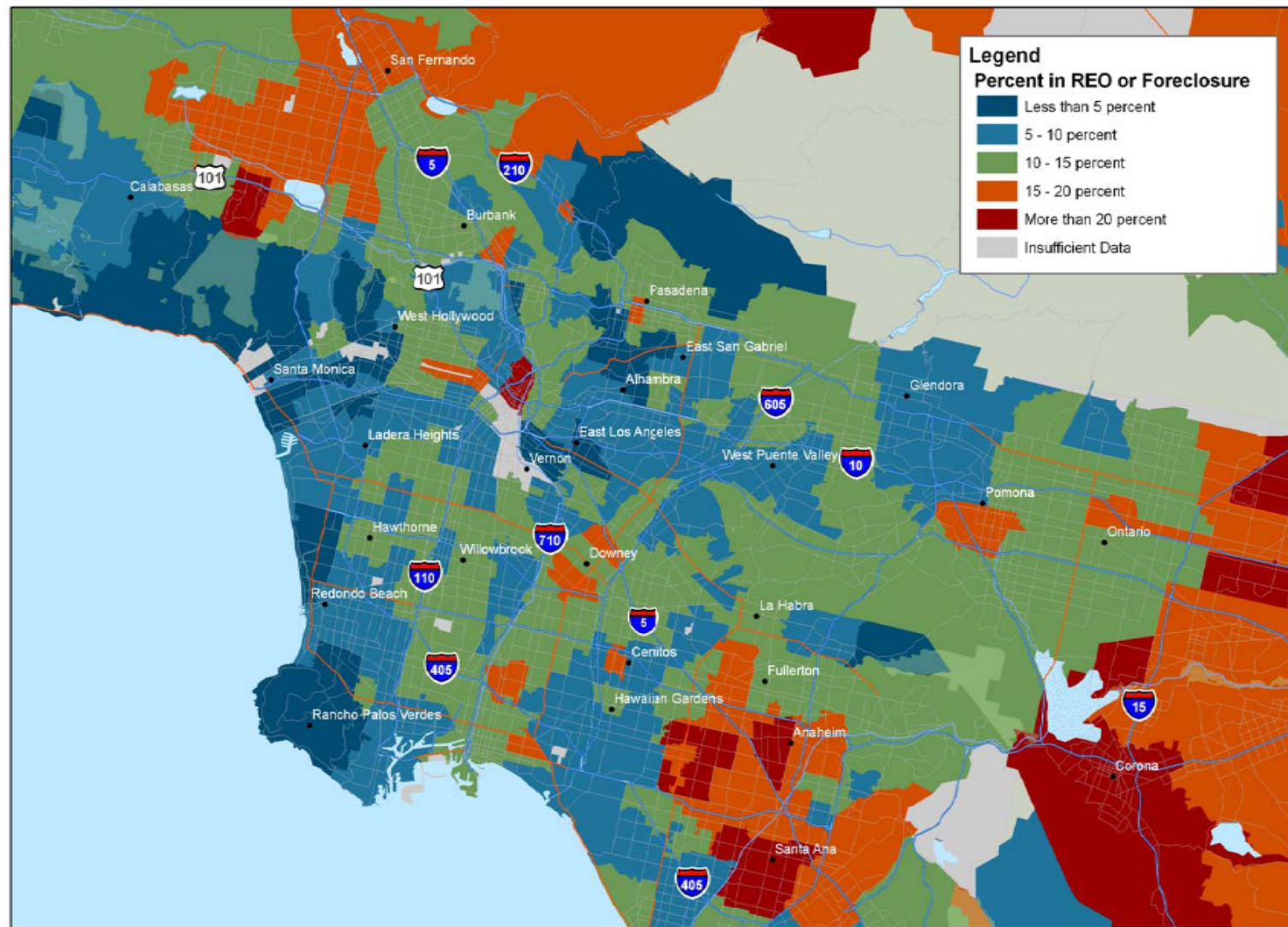


Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

The Costs of Foreclosure

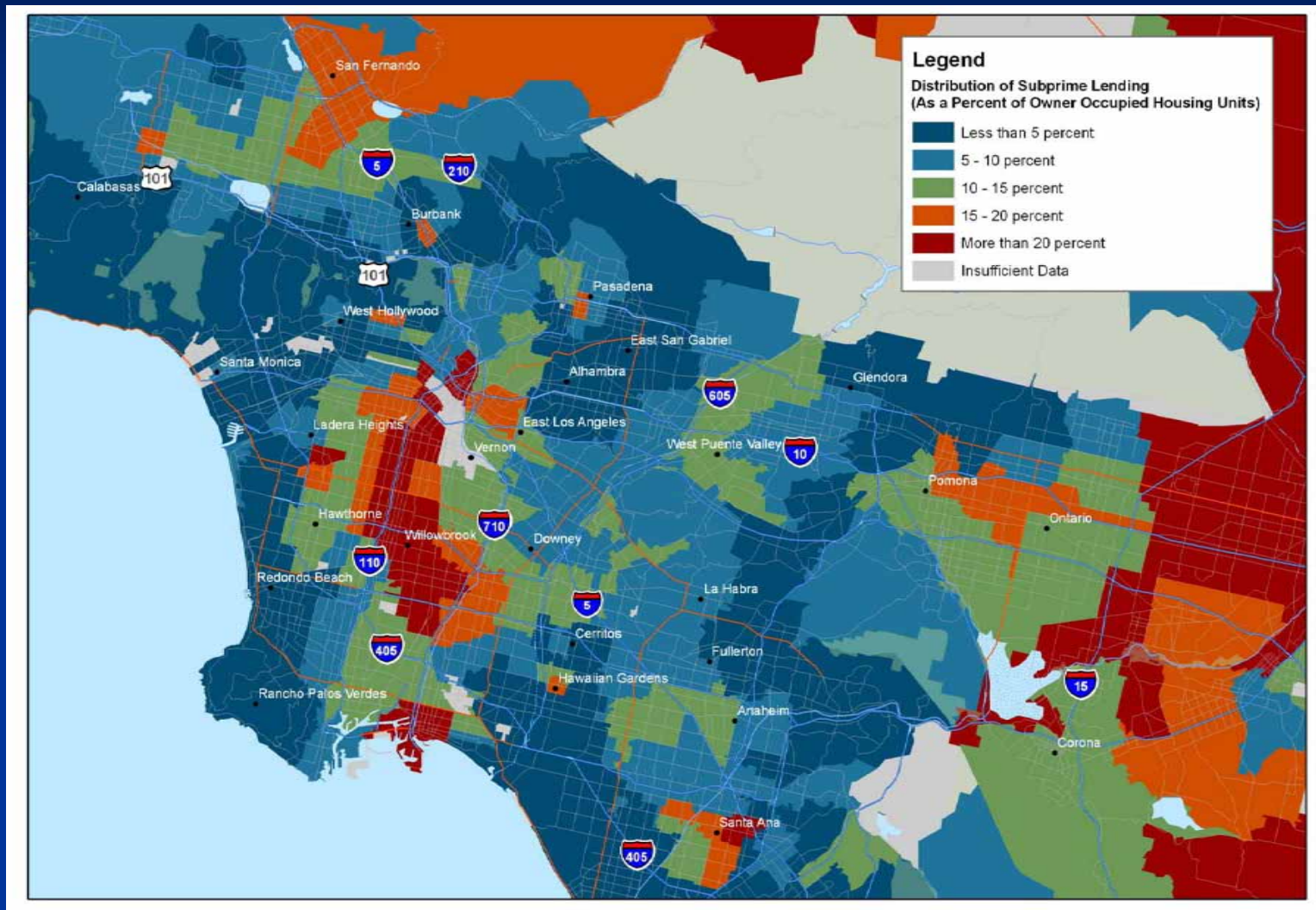
- Neither lenders nor investors “make money” on foreclosures
- Losses range from 20 to 60 cents on the dollar
- One estimate: **lender's cost of a foreclosure averages \$58,800**
- One estimate: each foreclosure is associated with a 0.9% decrease in values of properties within 1/8th mile
- Services incur expenses pursuing problem loans
- Legal costs from securing/ maintaining properties
- Vacant properties can attract crime and reduce neighborhood property values
- **Average municipal cost is \$7,000 per foreclosure**

Foreclosure “Hot Spots” in Greater LA – Orange County Area



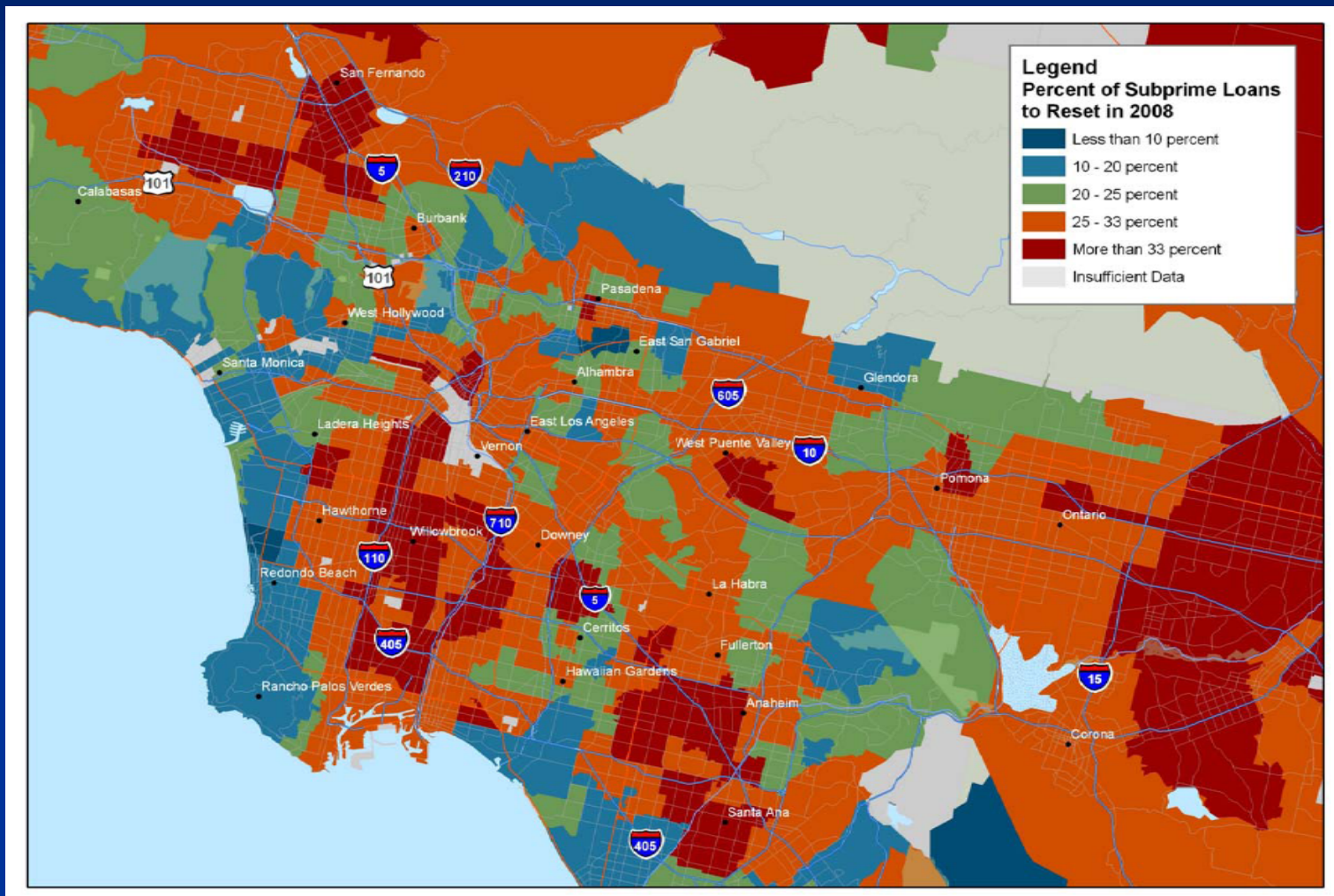
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Distribution of Subprime Lending in Greater LA – Orange County Area



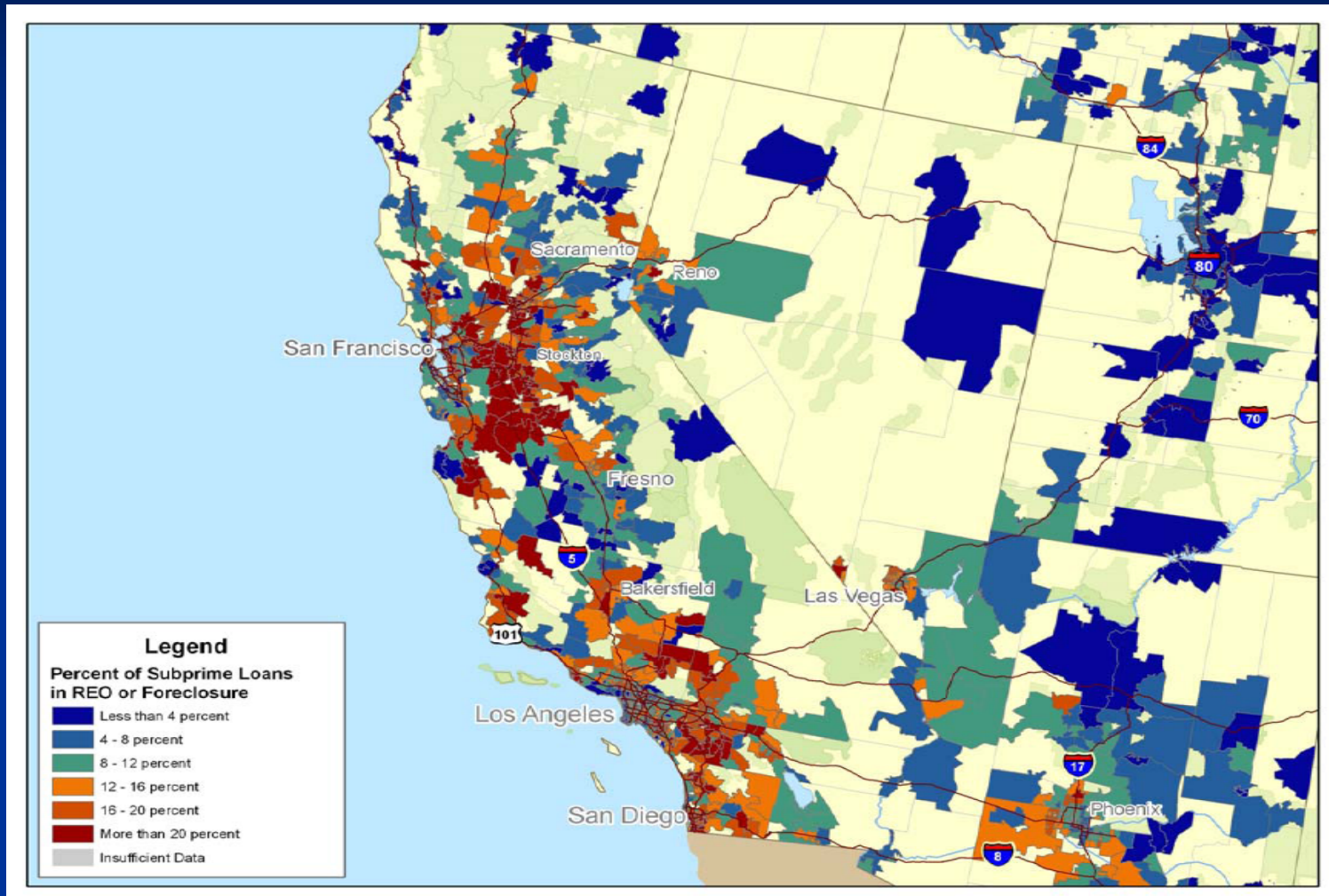
Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

Percent of Subprime Loans to Reset in 2008 indicates Where Foreclosures May Concentrate



Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

Inland California Areas have the Highest Percent of Subprime Loans in Foreclosure



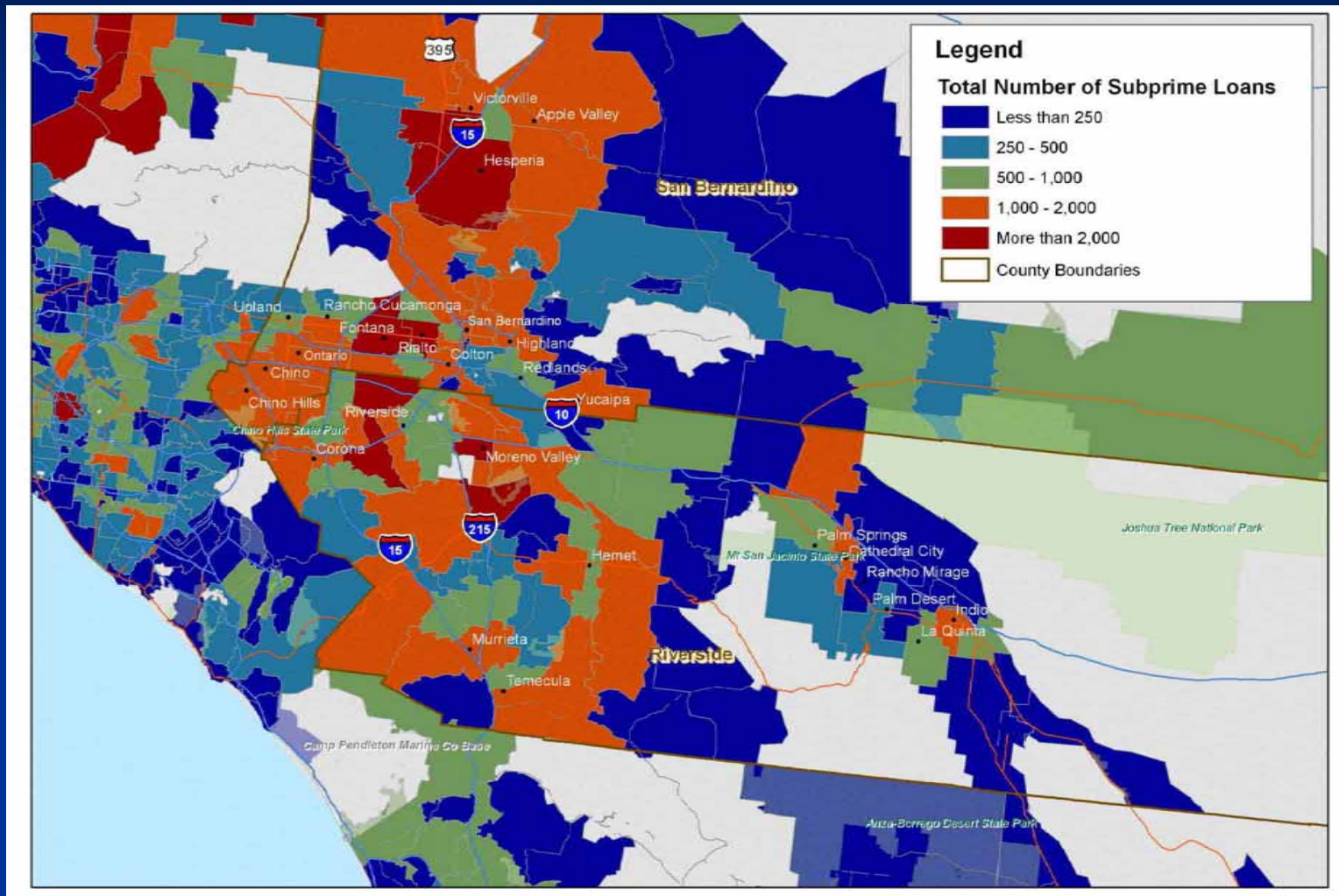
Analysis by Federal Reserve Board of Governors, First American Loan Performance Data, December 2007. Data represent a sample of subprime loans, approximating 70 percent of subprime loan volume. Data aggregated at the zip code level.

The Concentration of Foreclosures in Southern California for July 2008

- One in every 132 housing units in Imperial Co.
- One in every 261 housing units in Los Angeles Co.
- One in every 239 housing units in Orange Co.
- One in every 90 housing units in Riverside Co.
- One in every 94 housing units in San Bernardino Co.
- One in every 190 housing units in Ventura Co.
- One in every 184 housing units in California

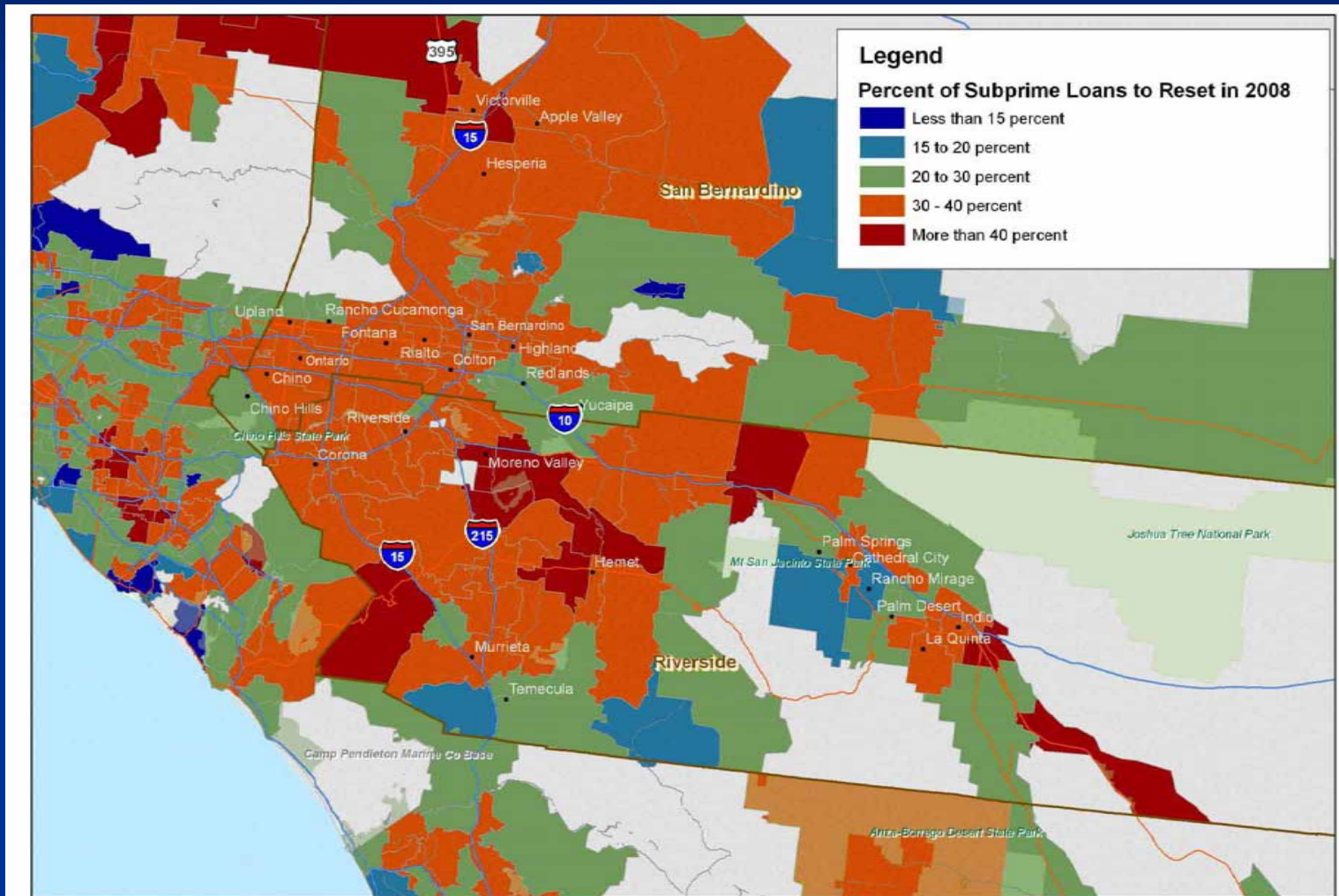
Source: RealtyTrac,

Subprime Loans in the Inland Empire



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Market Uncertainty Has Halted Construction Plans

**State New-Home Production in 2007
Fell to Lowest Level in 25 Years.**

- Los Angeles County recorded the largest number of CA housing starts, 20,228, down 23 % from previous year
- Riverside County was second, at 12,445, down almost 51% from the previous year
- San Bernardino County was third at 8,100, down almost 42%, while Ventura was down 25% and Orange County was down 16%

The American Housing Rescue and Foreclosure Prevention Act

- Provides \$3.9 Billion in CDBG funds for communities to purchase foreclosures and vacant homes that can be sold or rented to low and moderate income households
- California should receive a large percentage of funds because it has one of the nation's highest rates of foreclosure
- Requires HUD to establish a formula within 60 days based on three criteria:
 - The number and percent of home foreclosures
 - The number and percent of homes financed with subprime mortgages
 - The number and percentage of homes in default or delinquency

Next Steps

- Increase a focus on mitigating the impact of foreclosures on borrowers and neighborhoods because concentrated foreclosures may result in negative effects, such as:
 - Decrease neighborhood property values
 - Increase local crime rates
 - Effects on the provision of local services
- Analyze lending and foreclosure data to assist local governments and nonprofits to acquire REO properties and convert them to affordable homeownership or rental units

Next Steps

- Identify “Best Practices” in REO property conversion to affordable housing
- Promote sustainable homeownership opportunities

Thank You

Visit our Housing Southern Californians homepage:
<http://scag.ca.gov/housing/index.htm>

Grateful acknowledgement to the Federal Reserve Bank and its
Community Development Department for providing the maps and
several graphics used in this presentation.